



# PENSION TAX DEADLINE 2020

ANSWERS TO ALL YOUR TAX DEADLINE QUESTIONS



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Individuals who both pay and file their tax returns through the Revenue On-line Service (ROS) have until **Thursday 10th December 2020** to pay a pension contribution and elect to backdate the income tax relief against the 2019 tax year. Those who do not qualify for the ROS extension must do this by **31st October 2020**.

There is no option to defer. If they do not take this opportunity, they will not get another chance to reduce their 2019 income tax liability.

# WHO FILES A SELF-ASSESSMENT TAX RETURN?

- Self employed
- Propriety directors who own more than 15% of a company
- Those with non-PAYE income
- Members of company pension schemes who pay AVCs and want to backdate income tax relief to 2019



To avoid interest and surcharges they must by 31st October / 10th December 2020

- ✓ File their 2019 Income Tax Return
- ✓ Pay any balance of income tax outstanding for 2019
- ✓ Pay preliminary income tax for 2020

## FILING RETURNS ELECTRONICALLY

Certain individuals are required to file their tax returns electronically through the Revenue Online Service (ROS) system. These include self-assessed individuals claiming income tax relief on personal pension, Personal Retirement Savings Account (PRSA), Additional Voluntary Contribution (AVC) contributions as well as those claiming other reliefs such as artists' exemption, woodlands exemption, patent income exemption etc.

More information can be found on the Revenue's website  
[www.revenue.ie](http://www.revenue.ie)

Those affected should ensure they are registered for ROS so they can claim all reliefs they are entitled to.

# SELF-EMPLOYED CLIENTS

## BACKDATING INCOME TAX RELIEF

A self-employed client who wants to pay a personal pension or PRSA contribution and backdate the income tax relief against their 2019 earnings needs to do the following

1. Pay the contribution to the life office or PRSA provider on or before the deadline, and
2. Submit their tax return to Revenue on or before the deadline

The deadline is 10th December 2020 for those who pay and file their returns using ROS. If there is any doubt about qualifying for the ROS extension we would recommend clients pay their pension contributions and file their tax return by 31st October to ensure they meet the deadline.

## CLAIMING INCOME TAX RELIEF ON PERSONAL PENSION OR PRSA CONTRIBUTIONS

In order to claim income tax relief on contributions to a personal pension or PRSA the individual must be "chargeable to tax in respect of relevant earnings". Relevant earnings refer to income of individuals who are:

### Self-employed

(income from a trade or profession taxed under Schedule D, Case I or II)



### Employees

(Schedule E, PAYE and not a member of a company pension scheme)



### Directors of companies

(Schedule E, PAYE and not a member of a company pension scheme)



Net relevant earnings are relevant earnings less charges in income (e.g. covenant payments, tax deductible maintenance payments, allowable interest) and losses or capital allowances related to the individual's relevant earnings.

- Investment income (e.g. rental income)
- Sleeping partner
- Earnings from an investment company where the client directly or in directly controls more than 20% of the company
- Pension income (annuity income) or payments from Approved Retirement Fund (ARF), Approved Minimum Retirement Fund (AMRF) or vested PRSA.
- Spouse's income as you cannot take out a pension for your spouse's income

# SUMMARY OF BACKDATING INCOME TAX RELIEF SELF EMPLOYED & PROPRIETARY DIRECTORS:



## DATE TO MAKE A CLAIM

- Must elect to backdate pension contribution by 31st October 2020
- ROS extension 10th December 2020



## FORMS REQUIRED TO MAKE A CLAIM

### Complete Income Tax Form 11

Clients should **not** include Retirement Annuity Contract (RAC) or PRSA Certificates with their self-assessment tax return. Clients should instead retain supporting documents in case they are requested by Revenue as part of an audit at a later date.



## HOW TO MAKE A CLAIM

Return must be filed on ROS to claim income tax relief on pension contributions.

See **[www.revenue.ie](http://www.revenue.ie)** for more information.

# CAN EMPLOYEES AVAIL OF THE TAX DEADLINE?

Employees can also pay a pension contribution and set it against their 2019 tax bill. To claim income tax relief on their pension contribution, employees must pay their contribution to the appropriate pension contract for their circumstances.

- **PRSA or Personal Pension:** where the employee had Schedule E income during 2019 but was not a member of their employer's company pension scheme.
- **AVC or PRSA AVC:** where the employee had Schedule E income during 2019, was a member of their employer's company pension scheme during 2019 and is still in that same employment. This includes those who are receiving the covid-19 wages subsidy scheme. This also includes those who are temporarily furloughed and who have not joined another company pension scheme with another employer.

Once an employee permanently leaves employment where they were a member of a company pension scheme, they cannot make any further pension contributions in respect of the income from that employment.

Note: a termination payment made on leaving employment (under Section 123 TCA 1997) is not considered income for pension purposes. This would include termination payments on redundancy, payment in lieu of notice and other ex-gratia payments.



## BACKDATING INCOME TAX RELIEF

An employee has until 31st October 2020 to:

1. Pay their pension contribution to the appropriate pension contract (see above), and
2. Send their tax return to Revenue, electing to backdate the pension contribution to 2019 tax year

Where an employee elects to backdate a contribution to a previous tax year they need to ensure that relief has not already been given in the current tax year. Where the contribution is paid through payroll under the net pay arrangement income tax relief is automatic and is given in the current tax year.

# SUMMARY OF BACKDATING INCOME TAX RELIEF EMPLOYEES & NON-PROPRIETARY DIRECTORS;



## DATE TO MAKE A CLAIM

**Must elect to backdate pension contribution by 31st October 2020 for 2019 tax year.**

Those who are required by Revenue to file a Form 12 for 2019 can opt to file online in which case they have until **10th December 2020** to pay their pension contribution and submit their tax return.



## FORMS REQUIRED TO MAKE A CLAIM

### Complete Income Tax Form 12

Employees who have more than €30,000 gross non-PAYE income and more than €5,000 net non-PAYE income should submit Form 11 instead of Form 12.

RAC, PRSA or PRSA AVC Certificates should **not** be included with their tax return. Instead supporting documents should be kept in case they are requested by Revenue as part of an audit at a later date.



## HOW TO MAKE A CLAIM

**Online:** file tax return through MyAccount or by their tax agents through ROS.

**Paper:** send their income tax form to their local tax office.

See [www.revenue.ie](http://www.revenue.ie) for more information.



# MAXIMUM PENSION CONTRIBUTION ALLOWED

For contributions paid in 2020 and set against 2019 earnings, an earnings cap of €115,000 applies for tax relief purposes to the total contributions to PRSAs, personal pensions and employee / AVC contributions to company pension schemes.



Age	% of Salary / Net Relevant Earnings
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 and over	40%

Note:

1. These limits include any employer contributions to a PRSA
2. The earnings limit does not apply to employer contributions to company pension schemes
3. For company pension schemes the total contributions (employer, employee & AVC) must be within overall Revenue maximum contribution limits

## LATE RETURNS

Revenue have said that taxpayers should continue to file their tax returns on time even if payment of the resulting tax liabilities, in whole or in part, is not possible.



Revenue will not permit tax relief to be backdated against 2019 if the client has not elected to claim the tax relief in that tax year as part of his tax return, or if a tax return has not been filed on time. This applies even if the pension contribution was paid by 31st October 2020.

Revenue has made an exception for PAYE employees who are not normally self-assessed where they:

- Pay a contribution by 31st October 2020, and
- Retire in the year in which the contribution was made i.e. retire in 2020, and
- File a return and elect to backdate the contribution on or before 31st December 2020

If the above conditions are met then income tax relief against 2019 can be claimed.

If a client is not eligible for tax relief for any reason, this is not grounds for a refund of contributions. If tax relief cannot be claimed currently, then the client may be able to carry the relief forward and claim relief against relevant earnings in the future.

# EARNING LIMIT AND INDIVIDUALS WITH DUAL INCOMES

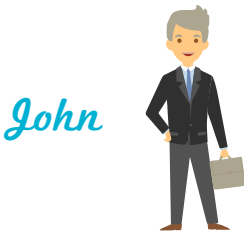
Tax relief on pension contributions are subject to two limits:

- ✓ The age related percentage of salary as shown on previous page
- ✓ The earnings limit which is set at €115,000 for the 2019 and 2020 tax years

Where someone has two sources of income, one from an office of employment where they are a member of a contributory company pension scheme (pensionable employment) and the other either non-pensionable or from self-employment, the pensionable income uses up the earnings limit first.

## EXAMPLE 1

### Pensionable income greater than the €115,000 earnings limit



Age	45
Employment Salary	€150,000
Employee Contribution 5%	€7,500
Self-employed Income	€45,000

#### Pensionable Employment Salary

The maximum contribution John can make to his company pension is 25% of his salary, capped at €115,000.

That is  $25\% \times €115,000 = €28,750$ .

As John is already paying €7,500 he has scope to pay further AVCs of up to €21,250.

#### Self-Employed Income

John's pensionable income uses up all of the €115,000 earnings limit.

As such he cannot claim tax relief on any personal pension or PRSA contribution made against his self-employed income.

This will apply even if John does not pay the maximum AVC allowed to his company pension.

## EXAMPLE 2

### Total Income over the €115,000 earnings limit:



Age	45
Employment Salary	€80,000
Employee Contribution 5%	€4,000
Self-employed Income	€55,000

#### Pensionable Employment Salary

As age 45 the maximum contribution Tom can pay to his company pension is 25% of his salary.

That is  $25\% \times €80,000 = €20,000$ .

As he is already paying €4,000 he has scope to pay AVCs of up to €16,000.

#### Pensionable Employment Salary

Tom's pensionable income uses up the earnings limit first.

€115,000 less €80,000 leaves €35,000 of his self-employed income against which he can pay pension contributions.

The maximum personal pension or PRSA contribution he can pay against his self-employed income is  $25\% \times €35,000 = €8,750$ .

This will apply even if Tom does not pay the maximum AVC allowed to his company pension.

## EXAMPLE 3

### Total Income less than €115,000 earnings limit:



Age	52
Employment Salary	€30,000
Employee Contribution 5%	€1,500
Self-employed Income	€60,000

#### Pensionable Employment Salary

Kate can pay a maximum contribution to her company pension of 30% of her salary.

That is  $30\% \times €30,000 = €9,000$ .

She is already paying an employee contribution of €1,500 and so has scope to pay AVCs of up to €7,500.

#### Pensionable Employment Salary

As Kate's total income is less than €115,000 the earnings limit has no impact on her paying pension contributions towards her self-employed income.

The maximum personal pension or PRSA contribution she can pay is  $30\% \times €60,000 = €18,000$ .

# ADDITIONAL COVID-19 RELATED INFORMATION

The 2020 tax deadline relates to filing and paying taxes for the 2019 tax year and so for many clients this will not be directly impacted by Covid-19 measures. But clients may of course have concerns currently and Revenue have put some supports in place.



## DEBT MANAGEMENT

Revenue have said that taxpayers should continue to file their tax returns on time even if clients are not in a position to pay the resulting tax liability, either in whole or in part.

Revenue have said that they aim to work with taxpayers to successfully resolve any tax payments difficulties, and that they recognise that some taxpayers are facing difficulties due to the impact of Covid-19. There are a number of options potentially available including deferring certain tax debts for periods up to 12 months, suspension of debt collection and Phased Payment Arrangements. Revenue have said that if taxpayers with such concerns engage early and meaningfully, then generally Revenue will be able to come to an acceptable payment arrangement.

## 2019 INCOME TAX RELIEF:

Temporary measures have been put in place to help self-employed and sole-traders adversely impacted by the Covid-19 restrictions. These include

- Option for self-employed individuals and sole-traders to have their 2020 losses and certain unused capital allowances, to a maximum of €25,000, carried back and set against their profits for the 2019 tax year. Self-employed individuals may be able to make an interim claim for that relief based on an estimated amount of relief they will be due under the above option.
- Option for farmers to step out of the income averaging for the 2020 tax year.

Further information on these measures including the restrictions that apply can be found on [www.Revenue.ie](http://www.Revenue.ie). Clients looking to avail of these reliefs should seek their own tax advice.

## COVID-19 TEMPORARY WAGES SUBSIDY SCHEME TO 31 AUGUST 2020

The temporary wage subsidy payment is paid to employees by their employer and is considered part of their relevant earnings for 2020. The temporary wage subsidy payment is taxable income, but tax is not deducted under PAYE at the time the employee receives the payment. Instead Revenue have advised that there will be a review at the end of the year and employees' liability to tax on the wage subsidy payment will be assessed then. Exact details of how this review and collection of tax will operate have not yet been finalised.

## COVID-19 EMPLOYMENT WAGES SUBSIDY SCHEME FROM 1 SEPTEMBER 2020

The employment wage subsidy payment is taxable income, and tax is deducted under PAYE at the time the employee receives the payment.

Further information on the Temporary Wage Subsidy Scheme and Employment Wage Subsidy Scheme can be found on [www.revenue.ie](http://www.revenue.ie)

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The above should not be regarded as tax advice. If clients have concerns regarding their tax position or their ability to pay their tax liability they should take appropriate tax advice.

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**PENSIONS**  
INVESTMENTS  
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**Please Note:** The information and tax rates contained in this document are based on Irish Life's understanding of legislation and Revenue Practice as at September 2020 and may change in the future. While great care has been taken to ensure the accuracy of the information contained in this document, Irish Life cannot accept responsibility for its interpretation nor does it provide legal or tax advice.